

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

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Annual Compliance Report, 2014

Docket No. ACR2014

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**Initial Comments of Stamps.com**  
(February 2, 2015)

Pursuant to Commission Order No. 2313 (Dec. 31, 2014), Stamps.com submits these comments. Stamps.com is the leading provider of PC Postage. We thank the Commission for this opportunity.

These comments address two matters. (1) We are in favor of and provide information relating to our experience with the discount for metered First-Class Mail, which is also available to PC Postage with information-based indicia (IBI). The discount was implemented January 26, 2014. (2) We argue it would be effective for the Postal Service to take a further step in the same direction and provide a discount that would recognize pieces that also have cleansed addresses and Intelligent Mail barcodes (IMbs).

**A. THE METER RATE IS BEING USED EFFECTIVELY ON PC POSTAGE. IT IS RECOGNIZED BY CUSTOMERS AND IS LEADING TO INCREASED USAGE AND INCREASED VOLUME. CONTINUED AVAILABILITY OF IT IS IMPORTANT.**

The meter rate has been available for a little over one year. Stamps.com has promoted it to existing users and potential users of PC Postage. Our sales team reports that customers love it—for example, sales representative Doug Johnson, who sits near me, enthusiastically tells me “it is huge; it is a great selling point.” We believe the discount has helped increase the amount of postage our customers print, the number of customers, and the portion of our customers who cancel our service.

In addition to the meter discount being a positive thing, customers more and more use our service to purchase postage for mail categories other than Single-Piece First-Class. This includes Priority. Our service introduces our mailing customers to the benefits of shipping with the Postal Service. We believe the meter discount contributes to this benefit by bringing more mailers to our service

Further, we surveyed all actively printing Stamps.com customers who signed up to use our service in the ten months after the discount was introduced and used us to print postage qualifying for the meter rate at least 1,000 times. The results are shown in Table 1.

<b>Table 1. Survey Results of Stamps.com customers who signed up to use PC Postage in the ten months after the meter discount was introduced and have printed qualifying postage at least 1,000 times</b>	
<b>1. Were you aware that we offered a 1-cent discount on First Class Mail before you signed up for Stamps.com? (48 cents instead of 49 cents)</b>	
Yes	44%
No	50%
Not sure	6%
<b>2. If you were aware of it before registering, did the 1-cent discount on First Class Mail affect your decision to register for Stamps.com?</b>	
Yes, it affected my decision to register for Stamps.com	32%
No, it did not affect my decision to register for Stamps.com	68%
<b>3. If the discount had an effect on your decision to register for Stamps.com, how important was the discount to you in registering for Stamps.com?</b>	
Not very important	36%
Somewhat important	37%
Very important	27%
<b>4. Has the availability of the discount encouraged you to mail more pieces than you might have otherwise?</b>	
Yes, a few more	16%
Yes, quite a few more	10%
No	62%
Not sure	11%
<b>5. Would you say that the availability of a discount has improved your perception of the Postal Service, such as seeing it as being more businesslike?</b>	
Definitely yes	31%
Possibly yes	38%
No	31%
<b>6. How many First Class Letters and Postcards do you send out during an average month?</b>	
Less than 10	12%
10 - 100	28%
100 – 1,000	47%
More than 1,000	13%

These results speak for themselves, and provide strong support for the effectiveness of the meter discount. Forty-four percent of new customers during 2014 were aware of the discount when they signed up. Of those, 64 percent say the availability of the discount was either “Somewhat important” or “Very important” to their purchase decision. In terms of volume, 26 percent say the availability of the discount has encouraged them to mail more pieces. Finally, 69 percent say that the availability of the discount has improved their perception of the Postal Service as a businesslike organization.

Although the Postal Service has proposed in a separate docket to reduce the meter discount by fifty percent (Docket No. R2015-4), a change we see as counterproductive for our customers and the Postal Service, Stamps.com intends to continue promoting the discount and is hopeful that it can continue to have a positive effect.

**B. AT SOME POINT, A STEP BEYOND THE METER DISCOUNT SHOULD BE TAKEN, AND A DISCOUNT SHOULD BE INTRODUCED FOR “QUALIFIED PC POSTAGE,” A CATEGORY PRESENTED AND DESCRIBED BY STAMPS.COM IN DOCKET NO. RM2009-3.**

In its Initial Comments (May 26, 2009) in Docket No. RM2009-3 (Consideration of Workshare Discount Methodologies), Stamps.com clarified a candidate rate category that had been in the works for some time, calling it Qualified PC Postage (QPCP). It would apply to machinable Single-Piece First-Class letters, but would go beyond the requirements for the meter rate and require (a) a full IMb (including mailpiece numbers, called Serial Numbers in the IMb nomenclature) and (b) an address verified with the

Postal Service's Address Matching System (AMS) database using CASS certified software, often referred to as a cleansed address.

Stamps.com's service can support QPCP mail. We update our AMS database monthly, which exceeds the requirement for most automation discounts. But, due to the need for extra effort on the part of both the mailer and Stamps.com, very little such mail is now being prepared. The decision to proceed to the QPCP level must be made by the mailer. The benefit of it would accrue in limited part to the mailer, but mainly to the Postal Service. The advantages of a discount are thus clear. And because of the small volume at this point, the implications for the price cap calculations would be negligible.<sup>1</sup>

Although some particulars have changed in recent years, such as the adoption of the Intelligent Mail code and the phase-out of the Postnet code, issues relating to a special rate for PC Postage go back to, and beyond, Docket No. R2000-1, in which evidence was reviewed on a number of associated matters. In the end, the Commission recommended "a 'shell classification' for IBIP prepared mail. ... [explaining that it] must be automation compatible and not exceed the 3.3-ounce automation breakpoint in weight [and] must utilize a FIM, have an address that has been verified against a Postal Service approved database, and have a full delivery point POSTNET barcode." *Op.* at 272, ¶ 5190.

Stamps.com would appreciate the Commission supporting further consideration of a QPCP rate. The benefits are obvious. Its focus would be on small Single-Piece mailers and small businesses. It would allow tracking and tracing, and would support service measurement. Since we control the contrast characteristics of the ink and the

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<sup>1</sup> Stamps.com estimates that only 1.1 percent of our current volume would qualify already for a QPCP rate.

paper, and the paper is supported firmly during the printing process, quality printing is assured. The discount need not be rounded to a whole cent. We feel many mailers would move toward it, benefitting all concerned. We find it to be consistent with the ratemaking guidance in title 39.

### **C. CONCLUSION**

Stamps.com sees the meter discount as a good step in the direction of cost-based rates and efficient signals to mailers. We explain some of its effects in Section A. Also, as we explain in Section B, we support a further step, a suitable rate for Qualified PC Postage.

Respectfully submitted,

s/Seth Weisberg

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